Saskatchewan
Finance

Annual Report
2002-2003

Saskatchewan Public Employees Pension Plan

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Saskatchewan
Finance

Her Honour, The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor of the Province of Saskatchewan
Government House
4607 Dewdney Avenue
Regina, Saskatchewan
S4P 3V7

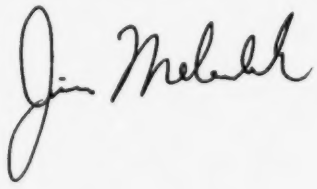
Dear Madam:

Letter of Transmittal

I have the honour to transmit herewith the twenty-sixth Annual Report of the Public Employees Pension Plan for the fiscal year ending March 31, 2003.

I have the honour to be, Madam,

Your obedient servant,



Jim Melenchuk
Minister in Charge
Public Employees Pension Plan

Saskatchewan
Public Employees
Benefits Agency

The Honourable Jim Melenchuk
Minister in Charge
Public Employees Pension Plan
Regina, Saskatchewan

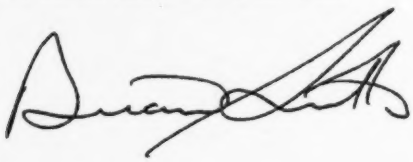
Sir:

Letter of Transmittal

On behalf of the Pension Board of the Public Employees Pension Plan, I have the honour to present herewith the twenty-sixth Annual Report of the Public Employees Pension Plan for the fiscal year ended March 31, 2003.

Respectfully submitted,

Pension Board
Public Employees Pension Plan



Brian Smith
Chairman

INTRODUCTION

The Public Employees (Government Contributory) Superannuation Plan was established by Section 38 of *The Superannuation (Supplementary Provisions) Act*. Effective July 1, 1997 the plan is continued as the Public Employees Pension Plan under subsection 7(1) of *The Public Employees Pension Plan Act.*

The Plan was established for permanent employees hired on or after October 1, 1977, by the Government of Saskatchewan and other participating public sector employers. As well, employees covered by *The Public Service Superannuation Act, The Saskatchewan Power Superannuation Act, The Saskatchewan Telecommunications Superannuation Act, The Liquor Board Superannuation Act,* and *The Workmen's Compensation Board Superannuation Act* were given the opportunity to transfer to the Public Employees Pension Plan prior to October 1, 1978.

Non-permanent employees of participating employers were given the option to join the pension plan in 1981, with participation becoming mandatory effective October 1, 1998.

OVERVIEW

The following overview of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the plan text.

The Plan is comprised of the Balanced Fund and the Short-Term Bond Fund (previously the Pre-Retirement Fund). The Short-Term Bond Fund began operations July 1, 1998. Both funds are defined contribution funds.

The Balanced Fund receives and holds, in trust, member and employer contributions as well as the related investments and investment income derived from these contributions.

The Balanced Fund holds bonds, equities, real estate, mortgages and short-term investments. The Balanced Fund's mandate is to provide long-term capital appreciation for members. Allocation of income is based on the market value of the fund. The total equity available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

The Short-Term Bond Fund (SBF) receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The SBF is available to all members. The SBF holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the SBF is at the discretion of the member. Allocation of income is based on the market value of the fund. The total equity available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

Members of the plan contribute 5% of their regular earnings to the plan. The members' employer contributes a matching amount. Other contribution formulas can be negotiated by agreement.

Effective July 1, 1997, member contributions are locked-in and the employer share vested after one year of membership in the Plan.

Locked-in means that if the member terminates employment, the member's contributions must be paid to the member in the form of a pension benefit. Vested means that the employer contributions made on behalf of the member also must be used to provide the member with a pension benefit.

Until they are eligible to purchase a pension benefit, terminated members who are locked-in and vested may leave the money in the Plan or may transfer their money to a Locked-in Retirement Account (LIRA).

Terminated members who are not locked-in and vested may request a cash refund of employee contributions together with accrued investment earnings.

The normal age of retirement is age 65 years. However, members may retire and purchase a pension benefit as early as age 50. Members

must purchase a pension benefit prior to the end of the calendar year in which the member turns age 69.

Members use employee and employer contributions plus accrued investment earnings to purchase a pension benefit. The three ways a member can convert their Public Employees Pension Plan (PEPP) account into pension income are:

i) purchase an annuity from the Saskatchewan Pension Annuity Fund or from an entity authorized to underwrite annuities,

ii) purchase a prescribed Section 29.1 Registered Retirement Income Fund (RRIF)

A member may direct all or any portion of their PEPP account to one or any combination of these benefits to provide and protect their retirement income. Alternatively, a member may use their PEPP account or a transfer to a Locked-in Retirement Account (LIRA) as a holding account until the member needs to convert the money into retirement income. The member, however, must purchase a pension benefit from their LIRA or PEPP account by the end of the calendar year in which they turn age 69.

If a member has a spouse, the spouse is the member's beneficiary. A spouse is the person to whom the member is legally married or if not married, is a person with whom the member is cohabiting as a spouse. If a member with a spouse dies prior to purchasing a pension benefit, the member's spouse may elect to purchase an immediate annuity with the member's account balance. Alternatively, the spouse may elect to receive a taxable lump sum payment, transfer the funds to a LIRA , prescribed RRIF, or leave the money in an account with the plan. Should the spouse predecease the member, or if the member is single, the beneficiaries or estate are required to receive a taxable lump sum payment of the account balance.

A member's spouse may waive his/her right to the pre-retirement death benefit allowing the member to designate alternate beneficiaries. At the time the member purchases a retirement benefit, the member's spouse may elect to waive his or her right to any death benefits payable at the time the member dies. This allows the member to purchase a retirement benefit that does not provide a pension to the spouse upon the member's death.

If the member dies after the purchase of a pension benefit, the benefit payable to the spouse, beneficiary or estate is dependent on the type of benefit purchased.

INVESTMENT OF FUNDS

The Public Employees Pension Plan Pension Board (Pension Board) is responsible for holding in trust and investing the monies of the Plan. The Pension Board has retained Greystone Capital Management Inc., Templeton Management Ltd., TD Quantitative Capital Inc., AMI Partners Inc., and Newcastle Capital Management as investment managers.

As at March 31, 2003 the mandate for each money manager was:

Greystone Capital Mgmt.	Balanced portfolio
TD Quantitative Capital Inc.	Canadian bonds, US & Canadian equity indexes
Templeton Management Ltd.	Speciality Non-North American
AMI Partners Inc.	Small cap Canadian equity
Newcastle Capital Mgmt.	Mid cap US equity index

As at March 31, 2003 the investment managers invested the following portions of the portfolio:

BALANCED FUND

	$ 000	%
Greystone Capital Mgmt.	898,973	37.59
TD Quantitative Capital Inc.	937,492	39.89
Templeton Mgmt Ltd.	292,990	12.47
AMI Partners Inc.	130,478	5.55
Newcastle Capital Management	105,705	4.50
	2,365,638	100.00

SHORT-TERM BOND FUND

	$ 000	%
Greystone Capital Mgmt.	41,180	100.00

For the year ended March 31, 2003, the following fees were paid to the investment managers:

Balanced Fund:	
Greystone Capital Mgmt.	1,313,622
TD Quantitative Capital Inc.	248,119
Templeton Mgmt. Ltd.	1,460,854
AMI Partners Inc.	561,789
Newcastle Capital Management	32,705
	3,617,089
Short-Term Bond Fund:	
Greystone Capital Mgmt.	24,201

The investment managers made the day-to-day decisions of whether to buy or sell specific investments in order to achieve the long-term investment performance objectives set by the Pension Board. It is these long-term investment performance objectives that the Pension Board uses to assess the performance of the investment managers.

The primary long-term investment performance objective for the combined portfolio is to outperform a benchmark portfolio constructed as follows:

BALANCED FUND

Asset Class	Market Index	Weight
Canadian Equities	Toronto Stock Exchange 300 Index	20%
US Equities	Standard & Poors 500 US Stock Index	20%
Non-North Amer.	Morgan Stanley, Europe, Australia and Far East Index	20%
Real Estate	Russell Canadian Property Index	3%
Bonds	Scotial Capital Markets Universe Bond Index	37%
		100%

SHORT-TERM BOND FUND

Asset Class	Market Index	Weight
Bonds	Scotia Capital Markets Short Term Bond Index	100%

The Pension Board reviews the investment performance of the fund in terms of the performance of the benchmark portfolio over rolling four year periods. For the four years ending March 31, 2003, the Balanced Fund had an annualized gross rate of return of 2.0%. The investment objective (the return of the benchmark portfolio) was 0.1%.

The Short-Term Bond Fund was first funded on July 7, 1998. For the four years ending March 31, 2003, the Short-Term Bond Fund had an annualized gross rate of return of 6.0%. The target rate of return over the same period was 6.1%. The target rate of return is based on the "All Governments" portion of the Scotia Capital Markets Short-term Bond Index.

The Pension Board has retained Royal Trust as the custodian of the Plan. The custodian is responsible for custody of all financial assets of the Plan (in the name of the Public Employees Pension Plan). The custodian settles all investment transactions. The custodian also ensures that investment income (ie. dividends, interest) is collected and provides financial statements for all investment transactions.

The Pension Board engages the services of an asset consultant to provide advice on the overall management of the Plan's investments and on the measurement of the Plan's performance. James P. Marshall, Inc. provides this service to the Pension Board.

ALLOCATION OF INVESTMENT EARNINGS

Investment earnings are distributed to the members' accounts at March 31 of each year. Effective September 14, 1998, cumulative weekly rates of return are used to credit investment earnings to members who move their money out of the Plan or transfer money into the Plan or between Funds. In the past, the accounts of those members who withdrew funds during the year were credited with the last declared monthly rate of return for the applicable Fund.

The weekly rate of return will be declared using the investment earnings allocation policy established by the Pension Board of the Public Employees Pension Plan. The rate applied to the accounts of members who leave the Plan will be calculated each week based on the applicable Fund's performance since the last year-end and will be declared as soon as practical after each Friday market close.

The following are selected year to date rates of return for payments from the Balanced Fund:

April 30, 2002	-1.09%	October 31, 2002	-9.01%
May 31, 2002	-0.78%	Nov. 30, 2002	-6.60%
June 30, 2002	-3.88%	Dec. 31, 2002	-7.37%
July 31, 2002	-9.10%	Jan. 31, 2003	-8.30%
August 31, 2002	-6.12%	Feb. 28, 2003	-9.83%
Sept. 30, 2002	-10.53%	March 31, 2003	-11.42%

The following are selected year to date rates of return for payments from the Short-Term Bond Fund:

April 30, 2002	1.11%	October 31, 2002	4.76%
May 31, 2002	1.41%	Nov. 30, 2002	5.39%
June 30, 2002	2.30%	Dec. 31, 2002	6.79%
July 31, 2002	4.29%	Jan. 31, 2003	6.22%
August 31, 2002	4.07%	Feb. 28, 2003	6.09%
Sept. 30, 2002	4.41%	March 31, 2003	5.76%

MEMBERSHIP STATUS

Membership at March 31, 2002		38,641
Add:		
Enrollments during the year	2,983	
Reciprocal transfers in	50	3,033
Less:		
Terminations refunded	802	
Death benefits paid	54	
Reciprocal transfers out	7	
Retirement annuities	92	
Lump sum payment on Retirement	133	
Transfers to locked-in RRSP's	460	
Transfers to Insurance Co's	2	
Transfers to LIF	-	
Transfers to LRIF	78	1,628
Membership at March 31, 2003		40,046

As at March 31, 2003, 906 persons held funds in the Short-Term Bond Fund.

ADMINISTRATION OF THE PLAN

The Public Employees Benefits Agency, Saskatchewan Finance provides the day-to-day administration of the Plan.

The annual operating expenditures associated with the Plan's administration are paid by the Public Employees Benefits Agency Revolving Fund and are charged to the Plan.

The Pension Board extends its appreciation to the staff of the Public Employees Benefits Agency and to those persons within government departments, agencies and crown corporations whose co-operation and assistance during the year contributed to the continued successful operation of the Plan.

Chairman
Brian Smith
Public Employees Benefits Agency

Representing Employers
Jim Graham
Saskatchewan Finance

Denise Macza
Saskatchewan Finance

Grant Ring
Saskatchewan Power

Representing Employees
Robert Bender
Communications Energy and Paperworkers Union (CEP)

Kirby Sanden
International Brotherhood of Electrical Workers (IBEW)

Dan MacKay
Saskatchewan Government Employees' Union (SGEU)

INVESTMENTS

In 2002-2003, the assets of the Public Employees Pension Plan were invested by Greystone Capital Management Inc., Templeton Management Ltd., Barclays Global Investors Canada Ltd., TD Quantitative Capital Ltd., AMI Partners Inc., and Newcastle Capital Management. The investment portfolio at March 31, 2003 contained the following assets:

BALANCED FUND

Type of Investment		Dollars of Investment at Market Value	Percentage of Investment Type in Fund
Corporate Bonds	$ 84,434,881		
Government of Saskatchewan Bonds	7,919,247		
Government of Canada Bonds	191,803,207		
Other Provincial Bonds	71,070,574		
Total Bonds:		$ 355,227,909	15.02%
Short-term Investments		17,006,788	0.71%
Canadian Equities		349,951,236	14.79%
U.S. Equities		103,493,660	4.37%
Pooled Funds			
Fixed Income Funds	640,952,144		
Greystone - AFE Plus Fund	100,406,243		
Greystone - Canadian Equity Fund	3,889,639		
Greystone – US Equity Fund	1,790,212		
Greystone – Money Market Fund	919,752		
Templeton-Specialty Non-North American	292,818,539		
Emerald Cdn TSE 300 Eq Index	89,203,868		
Emerald US Equity Fund	213,491,086		
Newcastle Derivatives Mid Cap	105,704,776	1,449,176,259	61.28%
Mortgages		1,931,000	.08%
Real Estate		88,851,111	3.75%
Total Investments:		$2,365,637,963	100.00%

A detailed listing of each investment as at March 31, 2003 is available upon request.

SHORT-TERM BOND FUND

Type of Investment		Dollars of Investment at Market Value	Percentage of Investment Type in Fund
Government of Saskatchewan Bonds	$ 1,975,767		
Government of Canada Bonds	22,089,342		
Other Provincial Bonds	17,008,544		
Total Bonds:		$41,073,653	99.74%
Short Term Investments		105,754	0.26%
Total Investments:		$41,179,407	100.00%

A detailed listing of each investment as at March 31, 2003 is available upon request.

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly Province of Saskatchewan

The Public Employees (Government Contributory) Superannuation Plan Supervisory Board consists of seven appointments made by the Lieutenant Governor in Council. Effective July 1, 1997 the Board continues as The Public Employees Pension Board (Pension Board). The Pension Board is comprised of a Chairman nominated by the Minister, three members representing the employees and three members representing the employers. The Pension Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements which follow have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Pension Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements have been examined by KPMG whose report follows.

Brian Smith
Executive Director
Public Employees Benefits Agency

Ann Mackrill
Director, Pension Programs
Public Employees Benefits Agency

Kathy Morgan
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
May 13, 2003

PUBLIC EMPLOYEES PENSION PLAN

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2003

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Public Employees Pension Plan as at March 31, 2003 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Employees Pension Plan as at March 31, 2003 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
May 13, 2003

PUBLIC EMPLOYEES PENSION PLAN **STATEMENT 1**
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT MARCH 31

(thousands of dollars)

	2003			2002
	Balanced Fund	Short-Term Bond Fund	Total	Total
ASSETS				
Investments (Note 4)				
Short-term	$ 17,007	$ 106	$ 17,113	$ 69,721
Bonds	355,228	41,074	396,302	302,029
Equities	453,445	-	453,445	551,582
Pooled Funds	1,449,176	-	1,449,176	1,628,261
Mortgages	1,931	-	1,931	3,311
Real Estate	88,851	-	88,851	91,360
	2,365,638	41,180	2,406,818	2,646,264
Receivables				
Contributions receivable	3,624	6	3,630	3,927
Accrued investment income	5,304	534	5,838	5,375
Due from Balanced Fund	-	388	388	84
	8,928	928	9,856	9,386
Cash	-	2,001	2,001	24
Due from General Revenue Fund (Note 7)	2,169	126	2,295	5,829
Total Assets	2,376,735	44,235	2,420,970	2,661,503
LIABILITIES				
Bank Indebtedness	1,128	-	1,128	-
Administrative expenses payable	1,507	10	1,517	776
Refunds, transfers and other payables	146	-	146	1,527
Due to Short-Term Bond Fund	388	-	388	84
Total Liabilities	3,169	10	3,179	2,387
NET ASSETS AVAILABLE FOR BENEFITS	$2,373,566	$44,225	$2,417,791	$2,659,116

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

STATEMENT 2

FOR THE YEAR ENDED MARCH 31

(thousands of dollars)

	2003			2002
	Balanced Fund	Short-Term Bond Fund	Total	Total
INCREASE IN ASSETS				
Investment income				
Interest	$ 18,694	$ 1,882	$ 20,576	$ 19,685
Pooled Funds	54,118	-	54,118	55,160
Dividends	7,143	-	7,143	9,178
Mortgages	176	-	176	258
Real Estate	7,132	-	7,132	6,677
Other	290	3	293	354
	87,553	1,885	89,438	91,312
Increase in market value of investments	-	72	72	55,871
Contributions				
Employees	59,517	516	60,033	52,881
Employers	62,307	774	63,081	56,938
Interfund transfers	2,704	20,748	23,452	32,473
Reciprocal transfers in	2,218	-	2,218	1,897
Transfer from MLA Plan (Note 3)	16,995	-	16,995	-
	143,741	22,038	165,779	144,189
Total Increase in Assets	231,294	23,995	255,289	291,372
DECREASE IN ASSETS				
Decrease in market value of investments	390,609	-	390,609	-
Transfers, refunds and benefit payments (Note 6)	77,511	9,352	86,863	95,726
Transfer to Annuity Fund				
Contributions	12,169	1,792	13,961	16,976
Interest	(812)	72	(740)	140
Administrative expenses (Note 8)	5,851	70	5,921	5,874
Total Decrease in Assets	485,328	11,286	496,614	118,716
Increase (Decrease) in Net Assets	(254,034)	12,709	(241,325)	172,656
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	2,627,600	31,516	2,659,116	2,486,460
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$2,373,566	$44,225	$2,417,791	$2,659,116

(See accompanying notes to the financial statements)

PUBLIC EMPLOYEES PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2003

1. Description of Plan

The following description of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) **General**

The *Public Employees Pension Plan Act* (the Act) is the legislative authority for the Public Employees Pension Plan (the Plan), which is a defined contribution plan that covers the employees of a number of government entities.

The Act established the Public Employees Pension Plan to accumulate all contributions and earnings for plan members. The Public Employees Pension Plan consists of two funds: the Balanced Fund and the Short-Term Bond Fund.

The Balanced Fund receives and holds, in trust for members, contributions received from the members and employers (participants) and investment income derived from the fund's investments.

The Balanced Fund holds bonds, equities, real estate, mortgages, pooled funds and short-term investments. The Balanced Fund's mandate is to provide long-term capital appreciation for members. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

The Short-Term Bond Fund receives and holds, in trust for members, contributions received from the member and their employer as well as investment income derived from the fund's investments.

The Short-Term Bond Fund is available to all members and holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the Short-Term Bond Fund is at the discretion of the member. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

b) **Administration**

The Public Employees Pension Board (Pension Board) is established by Section 3 of the Act. The Pension Board is comprised of seven members that administer the Plan. The Public Employees Benefits Agency provides day-to-day administration.

c) **Retirement**

Members may retire as early as age 50, or after 35 years of service regardless of age.

Upon retirement an employee may purchase an annuity from the Pension Board pursuant to Section 20 of the Act, or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 69, be transferred to a Locked-in Retirement Account or, after age 50, to a Locked-in Retirement Income Fund, Life Income Fund or a Life Annuity from the Plan, or be transferred to another pension plan which has a reciprocal agreement with the Plan.

Members who purchase their annuities from the Pension Board have their accumulated balance in the Plan at the date of retirement transferred to the Saskatchewan Pension Annuity Fund.

d) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan and for the employee payroll information on which benefit payments are determined. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices. Transactions in bonds and equities are recorded as of the trade date.

Short-term investments are valued at cost, which approximates market value.

Real estate is valued at market value as estimated by independent appraisals.

Mortgages are valued by discounting the present value of all income streams accruing to the mortgage. The discount rate applied to these income streams reflects the current market rate for comparable mortgages of a comparable term.

Pooled funds are valued based on the quoted market price of the underlying investments normally the current bid price.

The change in market value of investments during the year is reflected on the financial statements as a current period change in the market value of investments.

Fair value approximates market value of investments.

Foreign Currency Translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at year end. Investments, revenue and expense items are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation are included in the current period change in market value of the investments.

3. Transfer from MLA Plan

Effective September 1, 2002, The Members of the Legislative Assembly Superannuation Plan (the "MLA Plan") was disestablished and the $16,995,000 of net assets within its defined contribution component were transferred to the Plan. By Order in Council, the Plan established the MLA Fund (the "Fund") effective September 1, 2002, and the net assets transferred from the MLA Plan were allocated to the Fund. The Fund was disestablished on March 31, 2003 and the members affected were required to allocate their account balance to either the Balanced Fund or the Short-Term Bond Fund. At March 31, 2003, the net assets available for benefits of the Fund was $15,937,000 and the net decrease in assets for the seven month period from September 1, 2002 to March 31, 2003 was $1,058,000. This net decrease in assets consisted of investment income of $668,000, contributions of $349,000, a decline in the market value of investments of $1,303,000, administrative expenses of $15,000 and payments out of the Fund of $757,000. These results have been included in the Balanced Fund component of these financial statements.

4. Investments

The Plan is a defined contribution plan whereby members bear the investment risk and reap the rewards of actual investment performance as there is no guarantee of pension benefits. The Plan is comprised of two funds: the Balanced Fund and the Short-Term Bond Fund. The Balanced Fund is designed for members whose primary objective is capital growth. The Short-Term Bond Fund is designed for members who wish to reduce their equity exposure as retirement approaches in order to preserve capital. These members have a low risk tolerance. As the primary objective of the Short-Term Bond Fund is capital preservation, its orientation is towards fixed income investments with a term to maturity of five years or less.

The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's net assets and interest income. This risk arises from differences in the time and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for counterparties to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Standard & Poors Bond Rating Service and/or Moody's Bond Rating Service.

Short-term Investments

Short-term investments are comprised of treasury bills, notes and commercial paper with effective rates of 1.00% to 3.30% in the Balanced Fund (2002 - 2.3% to 3.6%), and 2.9% to 2.9% in the Short-Term Bond Fund (2002 - 2.3% to 2.6%) and an average remaining term to maturity of 31 days in the Balanced Fund (2002 - 65 days) and 10 days in the Short-Term Bond Fund (2002 - 42 days).

The Plan's investment policy states that investments must meet a minimum investment standard of "R1" or equivalent rating by a recognized credit rating service.

Other than the Government of Canada, no single issue represents more than 16.35% (2002 - 11.3%) of the market value of the short-term investment portfolio.

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 15% of the market value of the total portfolio may be invested in BBB rated bonds. At March 31, 2003 the Balanced Fund held 0.5% (2002 - 0.4%) of its portfolio in BBB bonds.

BALANCED FUND
(in thousands of dollars)

	2003						2002		
Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	$118,529	$12,401	$38,583	$169,513	4.81%	3.50-9.00	$ 74,882	5.67%	2.64-8.75
5 – 10	0	39,240	28,710	67,950	5.85%	5.15-7.40	78,102	5.49%	4.50-9.00
Over 10	73,275	27,349	17,141	117,765	5.67%	5.25-7.60	119,242	5.95%	5.25-9.00
Market Value	$191,804	$78,990	$84,434	$355,228			$272,226		

SHORT-TERM BOND FUND
(in thousands of dollars)

	2003					2002		
Years to Maturity	Federal	Provincial	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	$22,090	$18,984	$41,074	5.80%	3.50-9.00	$29,803	6.81%	5.00-9.00

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. Foreign equities represent 22.82% (2002 - 25.8%) of the market value of the equity portfolio. All foreign equities are denominated in Canadian dollars. Dividends are generally declared on an annual basis. The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 1.6% (2002 - 1.5%).

Pooled Funds

The Plan limits its investments in individual pooled equity funds to not more than 10% of the market value of the individual pooled equity fund. Foreign equities including foreign pooled funds, but excluding synthetic pooled funds, are limited to 30% of the cost of the investment portfolio and are denominated in Canadian dollars. The Plan limits its investments in synthetic pooled funds to 10% of the market value of its investment portfolio for the U.S. Equity Index fund and 7% of the market value of its investment portfolio for the U.S. Equity Mid Cap Index fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

The Plan's pooled funds are comprised of:

	Market Value (in thousands of dollars) 2003	2002
Canadian Equity		
Emerald Cdn Equity TSE 300	$ 89,204	$ 106,463
Newcastle Derivative Enhanced Mid Cap Fund	105,704	134,961
Greystone Canadian Equity Fund	3,890	-
Global Equity		
Greystone Emerging Market Fund	-	14,956
Greystone Non-North American Fund	-	85,367
Greystone EAFE Plus Fund	100,406	-
Greystone US Equity Fund	1,790	-
Templeton Specialty Non-North American Fund	292,819	367,785
Fixed Income Funds		
Emerald Bond Fund	633,764	705,643
Greystone Fixed Income Fund	7,188	-
Other Canadian		
Greystone Money Market Fund	920	-
Emerald Synthetic US Equity Fund	213,491	213,086
	$1,449,176	$1,628,261

Newcastle Derivative Enhanced Mid Cap Fund combines U.S. S&P 400 stock index futures with Canadian money market instruments to create a synthetic U.S. equity investment, hedged into Canadian dollars. The Emerald Synthetic U.S. Equity Fund also uses U.S. stock index futures combined with Canadian money market instruments to create a synthetic U.S. equity investment.

Mortgages

All mortgages are secured by Canadian commercial properties and have effective and stated interest rates of 7.70% to 9.75% (2002 - 6.8% to 10.0%) with an average remaining term of 5.42 years (2002 - 7.0 years). Principal and interest are receivable on a monthly basis.

Real Estate

Investments in real estate consist of Canadian commercial property.

Included in real estate are investments of $3,822,943 (2002 - $3,900,299) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension plans in the Province of Saskatchewan.

5. Earnings Allocation to Members

Investment income plus the current year's allocation of the change in the market values of investments less administrative expenses is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. In 2003, an interest rate of negative 11.62% for the Balanced Fund (2002 - 5.74%) and 5.50% for the Short-Term Bond Fund (2002 - 2.46%) was approved by the Pension Board for the Plan. In addition, a negative 6.84% interest rate was approved for the MLA Fund for the seven months ended March 31, 2003 (note 3).

6. Transfers, Refunds and Benefit Payments

	(in thousands of dollars) 2003	2002
Termination refunds	$ 872	$ 714
Death and lump sum benefits	4,590	4,770
Marital transfers	2,841	1,585
Transfers to registered retirement savings plans and to private companies providing annuities	51,328	54,591
Transfers out	27,232	34,066
	$86,863	$95,726

7. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidation Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's thirty day borrowing rate and the Plan's average bank account balance. The Government's average 30 day borrowing rate in 2003 was 2.62% (2002 - 3.41%).

8. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees which are paid directly.

	(in thousands of dollars) 2003		2002	
	Budget	Actual	Budget	Actual
Administration costs	$2,061	$1,867	$2,208	$1,757
Custodial fees	424	412	412	422
Investment management fees	3,819	3,642	3,708	3,695
	$6,304	$5,921	$6,328	$5,874

9. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government. Also, the plan is related to non-crown enterprises that the Government jointly owns or significantly influences. Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $9,895,014 (2002 - $7,875,191) Province of Saskatchewan Bonds and Debentures with a yield of 5.7% (2002 - 5.8%). Investment income of $479,830 (2002 - $409,884) was recorded from the Province of Saskatchewan Bonds and Debentures.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

10. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Pension Board. The Pension Board reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over four year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Balanced Fund's investment performance:

	Rolling Four Year Average Annual Return Balanced Fund	
	2003	**2002**
Plan's actual rate of return (a)	1.98%	6.3%
Target rate of return (b)	0.08%	5.0%

(a) The Fund's actual rate of return is before deducting investment expenses.

(b) The Fund's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Nesbitt Burns Small Capitalization Canadian Stock Index, Standard & Poor's 500 US Stock Index, Standard and Poor's 400 Mid Capitalization U.S. Stock Index, Morgan Stanley, Europe, Australia and Far East Index, Russell Canadian Property Index, Scotia Capital Markets Universe Bond Index, and 91 Day Canadian Treasury Bill.

The following is a summary of the Short Term Bond Fund's investment performance:

	Rolling Four Year Average Annual Return Short-Term Fund
	2003
Plan's actual rate of return	6.05%
Target rate of return	6.08%

The Fund's actual rate of return is before deducting investment expenses. As the Short-Term Bond Fund was first funded on July 7, 1998, a comparative rolling four year average annual return is not available. The actual annualized rate of return for the Fund from inception to March 31, 2002 was 5.8%. The target rate of return over the same period was 5.8%. The target rate of return is based on the "All Governments" portion of the Scotia Capital Markets Short-term Bond Index.

11. Fair Value

For the following financial assets and liabilities the carrying amount approximates fair value due to their immediate or short-term maturity:

a) cash
b) contributions receivable
c) accrued investment income
d) due from General Revenue Fund
e) due to Short-Term Bond Fund
f) bank indebtedness
e) administrative expenses payable
f) refunds, transfers and other payables, and
g) due from Balanced Fund

The fair value of investments is considered to be market value, the determination of which is disclosed in notes 2 and 4.